

Subsidizing the prosecution of a lawsuit for an injunction to prevent air pollution of a region did not cause an organization of growers and processors of agricultural products to lose its exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

Advice has been requested whether an organization which undertakes the activity described below would lose its exemption from Federal income tax under section 501(c)(6) of the Internal Revenue Code of 1954.

The organization was formed to benefit growers and processors of agricultural products in a given region by formulating, promulgating, and enforcing among its members policies and practices for the producing, handling, selling, and shipping of the products. Its membership is open to all growers and processors of agricultural products in that area.

Noxious fumes from a factory in the region were damaging crops and trees with widespread effect on the agricultural economy of the area. The organization hired attorneys to represent individual property owners, some of whom were members of the organization, in a suit for an injunction requiring the factory to take necessary steps to prevent the air pollution.

Section 501(c)(6) of the Code provides for the exemption from Federal income tax of nonprofit business leagues no part of the net earnings of which inures to the benefit of private individuals.

Section 1.501(c)(6)-1 of the Income Tax Regulations provides that a business league is an association of persons having some common business interest, the purpose of which is to promote such common interest and not to engage in a regular business of a kind ordinarily carried on for profit. It also provides that the activities of the organization should be directed to the improvement of business conditions of one or more lines of business as distinguished from the performance of particular services for individual persons.

The prosecution of the injunction suit under the circumstances described was an activity promoting the common business interest of the members of the organization and was directed toward the improvement of business conditions in a particular line of business. Accordingly, the organization's exemption as one described in section 501(c)(6) of the Code is not affected by subsidizing the lawsuit.